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the first effective step will have been taken for the rehabilitation of Europe—and of America.

In conclusion, I wish to say that I am not primarily making a plea for the existing League of Nations. I merely desire to bring up for consideration certain conclusions forced upon me by personal observation of the tragic rise and fall of a great hope.

I saw the mass of the French people, in the sunshine of a new American-made security, develop such powerful anti-military sentiments as to give effective promise of a new internationalism in Europe. I repeatedly heard representatives of the great middle class condemn their nationalistic statesmen and from December, 1918 until October or November, 1919 I

observed the immense popular support given to liberal leaders.

And then America withdrew and the dream faded and fear came back stronger than ever. It was a great fear which drove men to military schemes and military leadership as their only alternative. I left Europe with a firm conviction that only America could check the rising tide of fear-bred militarism and that without our political coöperation no security could be established in Europe sufficient to form the basis for economic revival. And I join an increasingly large number of American business men in believing that, until such European revival is made possible, we can expect no relief from our present business depression.

Is American Prosperity Dependent Upon the Rehabilitation of Europe?

By SAMUEL M. VAUCLAIN

President, Baldwin Locomotive Works, Philadelphia, Pennsylvania

AN answer to this question from the point of view of a manufacturer is easily given; namely, that America, meaning particularly the United States, could, if necessary, get along without Europe. All essential products, including capital, are being produced in the United States, and if a cataclysm should destroy Europe it is, of course, obvious that North and South America could continue to exist very well. Mere existence, however, is not living to the fullest capacity of our opportunities, and the elimination of Europe would be a very unpleasant process. Furthermore, the readjustment to such elimination would be long and painful and attended by great suffering in this country and throughout all that would be remaining

of the civilized world. If in the original creation of the world Europe had been eliminated there is no doubt but that the world would have satisfactorily prospered.

The United States of America has long been an associate of European nations. It has built up a foreign trade in raw materials and the products which were necessary to these countries, and without which it would have been impossible for them to have achieved so great a place in the world's manufactures; and thus our prosperity, as well as that of these European nations, gradually became greater and their activities or industries more diversified with the gradual increase and improvement of the means of transportation and communication employed.

Therefore, it is evident that the prosperity of our people here in America demands a reestablishment and a continuation of the association that was built up during the years prior to the last war; and for America to deliberately refuse to assist in European rehabilitation would be unthinkable.

When we consider what the term rehabilitation means, we at the same time realize that the interests of the United States are so closely interwoven with those of the European nations that to secure an economic revival of European business there must be accomplished:

1. A stabilization of exchange, the balancing of budgets and a retrenchment in the matter of governmental expenses.

2. A definite settlement of the interrelated questions of German reparations and allied debts.

3. A definite settlement of international boundaries.

A careful consideration of the first requirement toward this accomplishment will establish the fact that the stabilization of exchange must be brought about by a more general exchange of commodities between the nations involved; that certain restrictive conditions now prevailing must be either wholly or in part abandoned, and that the living conditions of the masses must become more uniform, so that the money of any nation will command its full value in the conduct of international business.

The balancing of budgets can be accomplished only by taxing the people sufficiently to meet the necessary expenses of the government where inflation has taken place, and this difficulty seems to be difficult not only among all European nations but is true also in regard to the financial affairs of our own country.

Retrenchment in all governmental expenses is therefore necessary not only in the United States but in every European nation as well. The common people must realize that the country belongs to them. They are the workers, the producers, and the nation as a whole cannot prosper without a maximum effort on their part.

Unfortunately, however, there are many difficulties prevailing in Europe which do not prevail in the United States. The racial antagonisms that have existed for centuries, instead of growing less as the result of the War, have largely increased, owing to the redistribution of the country and the creation of new governments, many of them consisting of mixed peoples.

We have, for instance in France, a serious situation, a constant fear that should she reduce her national defense she would once more be overrun by German hordes. We here in America do not fully realize the situation. France, at the recent congress of nations held in Washington for the diminution of the navies of the world, acquiesced; but when the question of a reduction in her military expenditures for the maintenance of an army considered sufficient for her future protection was presented, she very properly refused to be interfered with in this connection.

If, however, it were possible to change about the nations of the world as we do pawns on a chess board and give to France as a neighbor, in lieu of Germany, our own neighbor on the north (Canada), and then substitute for Canada the warlike nation of Germany, we should be compelled to maintain an army, to fortify our northern frontier and to live constantly in the dread of a German invasion. France could then safely abandon her army or reduce it to a basis as low as that which we here in

the United States now enjoy. It is, therefore, impossible to see how France can safely relieve herself of this burden under present conditions.

This same situation is even more acute in Poland, a nation which has been deprived of self-government for more than a century, and which is now rapidly justifying its existence. She is confronted with the Bolsheviks on the east and the jealous and grasping Germans on the west. Her expenses for military necessities will continue to be large until some method is determined upon that will insure permanent safety from the invaders. We in the United States feel we should remain at home and mind our own business and permit Europe to settle her own difficulties. But it may be found impossible for Europe to do this; and it may also develop that her continued distresses since the War will become more and more aggravated as time goes by and thus make it absolutely necessary for this country to become interested in European affairs; and by its association or influence bring about a condition that will insure peace and happiness to the common people who now are so deeply distressed.

DEBTS AND REPARATIONS

In regard to the second requirement, we must not lose sight of the fact that the governments of Europe are today debtors to the government of the United States to the extent of approximately \$10,000,000,000. Therefore, from a monetary interest alone, the United States is most deeply concerned in the rehabilitation of Europe; a rehabilitation which will enable Europe to repay the loans so generously made during the War, so that then she might keep up the struggle and secure a victory.

On the other hand, our largest debtors, *i.e.*, Great Britain and France,

also have vast sums due them by Germany, Russia and other European countries for loans made before the War, during the War, as a result of the War, and reparations, in consequence of which the different nations of Europe feel that German reparations and American credits in Europe are inseparably associated. It is impossible for one to conceive how either England or France can meet her obligations to the United States until they have each become prosperous, and the reparations and other expenses attributable to the war have been satisfactorily discharged by the German nation.

In business, obligations entered into are never cancelled. When it becomes impossible for a corporation to meet its obligations its affairs are liquidated and it passes out of existence. It is impossible, however, for a nation of the magnitude of Germany (so highly cultivated and so advanced in the arts and sciences of the world) to permit itself to disappear as a nation. Therefore, in order once more to be able to resume her former standing among the nations of the world, she must pay the price which she agreed to pay, in order to escape the further punishment which she so justly deserved.

It is just as necessary for nations to discharge their obligations one to the other as it is for those in the ordinary business affairs of those nations to do so. And until Germany arrives at the conclusion to pay her debts first we can expect no material advance in the rehabilitation of the European countries now suffering. And in the interim, the many interests of those countries will suffer and the progress of the world at large be retarded.

BOUNDARIES

To consider the third requirement, if all the disputes now existing between

European nations as to their boundaries could be definitely settled, and the settlement be guaranteed and protected in the future by a combination entered into by the various European states for that purpose, reductions in military armaments could proceed in a manner similar to the reduction of naval armament already agreed to. There would then grow up gradually a feeling of confidence regarding each other's good intentions. This restoration of confidence, in my opinion, is of the highest importance; for, as before mentioned, nations are but a super-form of business companies, and a successful business relationship is impossible unless there is confidence in the integrity of those with whom we are dealing. If such an era of good feeling could be established there would naturally result an intercourse of trade and a material reduction in all governmental expenses—a reduction that must be made if the common people are to be relieved of their burdens of taxation.

In estimating the situation existing in Europe today, after having personally traversed the entire area west of Russia, not only immediately following the War but during the most recent months, find that the producing and consuming capacities have both been greatly depleted. The producing capacity has been reduced by devastation, debt, death, political disorganization and inefficiency; also, to a very large extent, by the destruction of accumulated wealth, known as capital. This destruction of capital now prevents the necessary work of rehabilitation in Europe from being carried out, so far as Europe itself is concerned. In many cases lack of ability to produce is caused as much by the shortage of capital or accumulated goods as by anything else.

Not more than fifty per cent of the

producers of the world are in condition to deliver their full quota under favorable conditions. One half of the remainder of the world, including the states of western Europe (owing to the devastation and financial poverty caused by the War) are unable to produce at present more than one-half, or fifty per cent of their pre-war quota of the world's requirements. And the remaining one-quarter of the world's producing capacity has almost, if not entirely, disappeared—at least, it is so small as to be negligible when computing the world's work, or its ability to produce.

Such is the condition prevailing in Russia, where unwise governmental management has dried up practically all of the wealth-producing sources possessed by that great country prior to the beginning of the War. Russia has not only been pronounced by our able Secretary of State, Mr. Hughes, "an economic vacuum," but it has since been authoritatively stated to the speaker, by those prominent in the affairs of government and well-informed as to conditions prevailing in that country, that it will so remain for twenty-five years to come. Therefore, it is certain, and cannot be ignored, that the first step toward improvement in the great wrecked empire of Russia must be brought about in some manner within the country itself.

In the rehabilitation of Russia the countries of western Europe are most vitally concerned. At least 40 per cent of their foodstuffs and raw materials necessary for the sustenance and complete employment of their peoples must be obtained from this vast area. In my judgment, no effort can be made by either Europe or the United States of America that will promise success, except to begin this rehabilitation at the extreme edges of the country and gradually bring about peace and

occupation and liberty regulated by law, as the industrial armies progress with the invasion.

We cannot reasonably expect the nations of Europe at present to contribute largely to the wants of nations seeking to restore their destroyed facilities, or build new ones in the nature of expansion; because the undertaking of such work involves the supply of these services for future payment. In other words, the customer has nothing at this time with which to pay, and consequently must be allowed time in which the earnings of this new work will pay for the work itself.

AMERICA A CREDITOR NATION

The United States of America is the only nation in the world today having sufficient spare wealth or capital to invest in these new undertakings and in the improvement of the equipment of the various countries, thus increasing their productive capacity. Our standing has been entirely changed by the War. Although our foreign trade at this time is higher than that of our pre-war level, it must not be forgotten that our productive capacity was greatly increased during the War period, and, therefore, to find an outlet for this capacity we must increase our foreign or export trade. The opportunity is now before us, and such increase for us is entirely reasonable, owing to the curtailed productive capacity of Europe.

From a debtor nation, concerned chiefly with its own development, the United States has now become a creditor nation and concerned, whether willingly or not, with the development of the whole world. Since the early days of the War Europe has been able to pay in kind for only a small portion of the material supplied to her by the United States, with the result that she has acquired a great debt. Prior to the War the United States was indebted to

Europe for upwards of \$4,000,000,000, while now she is a creditor to the rest of the world to an extent exceeding \$12,000,000,000.

It has been shown that instead of having to export material to the value of \$200,000,000 or \$300,000,000 a year to meet interest payments of other nations, the United States will have to import products of other nations to the extent of about \$800,000,000 or \$900,000,000 annually in order to receive interest and principal upon the foreign loans she has granted since the War began. Until about 1920 the United States took payment for her excess exports mainly in securities, but with the weakening of credit and trade, she began to demand payment in gold, with the result that during the last two years over \$800,000,000 worth of gold has been transferred to the United States. Such a flow of gold naturally could not be continued indefinitely, and the problem of assisting in the rehabilitation of Europe is being solved by the sale of securities by Europe to the United States.

To permit this method of solution the people of this country must have confidence in other nations, and it is this feature of confidence that I have so strongly emphasized in one of the preceding paragraphs. Very fortunately, this feeling is being established and the export of American capital to foreign countries is now taking place at an unprecedented rate. This flow of capital enables foreign markets to buy materials here; not only raw materials as in the past, but manufactured products and machinery. The handling of foreign finance and foreign business on a large scale in the United States is comparatively new, and, as in all new endeavors, mistakes are likely to be made which can only be corrected with time and experience. The foreign trade of the United States is sure to

grow (nothing can stop it) but it will grow more or less quickly and more or less satisfactorily in proportion to the intelligence of the management and the salesmanship supporting it.

Wealth can be acquired only by work. The entire army of workers throughout the world must now forget that period of artificial prosperity which it enjoyed during the period of the War; a temporary prosperity among the workers, both employer and employed, that has plunged most nations excepting the United States into financial chaos, if not absolute bankruptcy.

Roubles that in 1914 were worth 51¢ each, or say two to the American dollar, now have a value somewhere in the neighborhood of 1,000,000 to the dollar. This number may not be exactly correct, but accuracy is not necessary because the paper itself is of more value in its original form than when ornamented with printer's ink to represent a monetary value. Our workers, which include all those engaged in production, must now learn how to produce the maximum for compensation received, rather than expect to receive the highest possible compensation for a minimum of services rendered.

RESTORATION OF CONFIDENCE

The reconstruction of the war-devastated areas and the expansion and development of new countries in different parts of the world is there waiting to be done, and must have the services of real money or capital accumulated somewhere and waiting to be used. This somewhere is now the United States, and our falling money rates show that capital is being produced by us faster than it is being consumed. A return to increased activity can only follow a confidence in those whom we endeavor to serve

that their commitments will be met. A credit system that will apply itself to the world's requirements must be built up. A determination to proceed must definitely be acquired by Americans, after which rehabilitation, not only of Europe but of the entire world outside of our own God-blessed country, will proceed rapidly and permanently.

Those of us who have been busily engaged since the War in an effort to build up a trade with the outside world, have learned that only by first creating a feeling of confidence and by displaying a willingness to participate in the possibilities of the future have we been able to lend aid in the rehabilitation of some countries and the development of others.

Confidence precedes credit, and character precedes confidence. I have always been optimistic and felt that the innate common sense of the various nations would in the end develop a common ground whereon some mutual understanding could be reached after the tremendous upheaval that the world has just experienced. My own company has happily been in accord with this policy and we have provided transportation to Belgium, Poland, South America, and to our near neighbor, Mexico, in all of whom we have the fullest confidence regarding their integrity and intention to pay—in their development upon a credit basis, or, in other words, a confidence basis; and these obligations entered into are all being faithfully met.

Other producers in the United States have been in accord with my views, and still more now seem to be agreeable to this policy, judging by the confidence that is being displayed in the various foreign loans lately placed in this country.

The Genoa Conference, to which I have been opposed ever since its

suggestion, has accomplished nothing so far, excepting a postponement of ultimate rehabilitation. The bitterness that has been uncovered and the increased thought of how to procure separate advantages will retard confidence rather than promote it. The United States by its wise determination not to participate leaves us in the strongest possible position to step in at the opportune moment and blast the way for other nations to follow in the recovery to the world of the Russian domain, and to place it once more among the world's assets, instead of, as it now exists, a liability of the gravest character, menacing not only the peace and prosperity of Europe, but also a civilization that has required centuries of bloody wars and continued effort to develop.

Briefly summarizing the subject from the point of view of an American

manufacturer or businessman, who not only loves his own country, but has a confidence in and an affection for the peoples of other nations, I firmly believe that American prosperity deeply depends upon the rehabilitation of Europe. I believe that Europe as a customer is morally sound and is entitled to our fullest confidence, and that the ultimate solution of the problem will be the creation of new engineering enterprises upon the basis of permitting sufficient time for payment to elapse, in order that the enterprise itself will produce the excess wealth necessary to repay its original cost. Europe will then not only be rehabilitated, but will be enriched, and the United States herself will prosper as she has never prospered before.

It is America's opportunity; it is America's duty,—we should respond to the call.

America's Interest in the Rehabilitation of Europe

By WILLIAM S. CULBERTSON

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I AM conscious that it is presumptuous in me to discuss in so short a space our interest in the rehabilitation of Europe. It is a great temptation to indulge in glittering generalities, but I have before me as a warning that wise paradox, that "all generalizations are false, including this one." It is also difficult at this time to refrain from uttering certain phrases, certain catch words, which might satisfy our judgments upon this very complex problem of our relation to Europe. But like a theologian who recently said that he did not intend to allow his Christianity to depend upon the credibility of Judges or the edibility of Jonah, I shall not allow my

judgment upon this present situation to be determined by any catch phrases, such as the "League of Nations," or the "cancellation of inter-allied indebtedness," or any other simple theory by which we are to pull Europe out of the mud. The rehabilitation of Europe must begin in Europe; it will not begin in the United States.

Our interest, however, in the rehabilitation of Europe is fundamental and very vital. I should not say that the prosperity of the United States depends primarily upon the economic recovery of Europe, but that we do have a direct interest in Europe's stability and prosperity.

Two English ladies were once dis-